USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 4/2/2010
GAIN Report Number: TH0062

Thailand

Cotton and Products Annual

Annual 2010

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Report Highlights:
TH0062 Cotton production will trend downward. Cotton consumption will recover in MY2009/2010 and MY2010/2011. This recovery will rely on imported cotton which should accelerate by MY2010/2011. However, cotton stocks will remain at minimal levels due to high prices. Meanwhile, domestic sales of cotton yarn and fabric will face strong competition from China as imports are duty-free under the China-ASEAN FTA.

Executive Summary:

Cotton crop remains unattractive in Thailand as farmers continue to shift to corn and tapioca cultivation driven by the government price insurance program. Anticipated recovery in cotton consumption in MY2009/2010 and MY2010/2011 will rely on imported cotton. However, MY2009/2010 cotton imports will increase slightly due to limited exportable supplies of major exporting countries, putting upward pressure on global cotton prices. In MY2010/2011, cotton imports will accelerate due to a strong recovery in the textile industry and a reduction in global cotton prices as global supplies are replenished due to anticipated bumper crops. Meanwhile, cotton stocks will remain low, particularly in MY2009/2010 due to high global cotton prices and a speedy recovery in the textile industry. However, cotton yarn and fabric manufacturers will face strong competition from relatively cheaper Chinese yarn and fabric, and Vietnamese yarn fueled by duty-free imports under the China-ASEAN FTA, effective January 1, 2010.

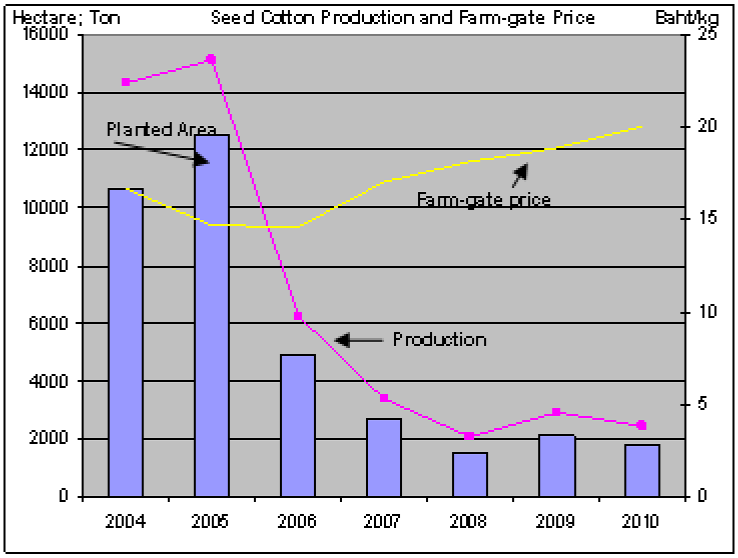
Commodities:

Cotton

Section 1: Situation and Outlook for Upland and Value-Added Cotton

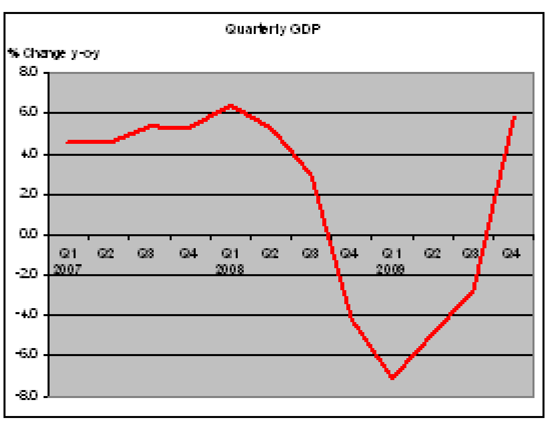
1. Production

Cotton production trends downward due to unattractive returns compared to alternative crops, particularly corn and tapioca. In MY2010/2011 farmers will likely continue to shift to corn and tapioca cultivation driven by the government price insurance program which favors these two crops (TH9161, "Price Insurance Starts to Replace Mortgage Scheme," 10/29/2009). In addition, the Government bans transgenic plants, an alternative that could increase returns.



2. Consumption

MY2009/2010 and MY2010/2011 cotton consumption is forecast to increase 5 percent annually to 1.795 million tons by MY2010/11 fueled by the global economic recovery. Thai economic recovery is expected to persist in 2010 and 2011 with an anticipated annual growth of 3.0 – 5.0 percent, driven by exports and domestic consumption.



Presently, spinners who reduced their production capacity by 20-30 percent last year are running at full capacity as orders have picked-up to replenish low garment inventories.

In MY2010/2011, spinners are expected to be working are 80-90 percent of full capacity in anticipation of a sustained economic recovery. Cotton fiber consumption will remain at approximately 45-50 percent of total fiber consumption.

3. Trade

In MY2008/2009, raw cotton imports were revised downward significantly by 16.8 percent from the previous year. The contraction reflected a 10-20 percent reduction in production capacity of the textile industry, which was directly affected by the global economic downturn. Most spinners ran down large yarn stocks and limited their cotton purchases due to liquidity concerns and the implementation of a more stringent credit policy. U.S. cotton imports declined 19.4 percent from the previous year to 672,000 bales.

In MY2009/2010, despite anticipated recovery in the textile industry, cotton imports will increase slightly as spinners remains cautious of building up stocks while as concerns linger on the extent of the recovery. In addition, current tight supplies of major exporters have put upward pressure on world cotton prices, up 15.0 percent from January 2010. Meanwhile, the U.S. cotton market share will likely continue to decline slightly from 40 percent to 38 percent as supplies of major competitors, such as Australia, are recovering. Also, imports of Pakistani cotton are expected to increase significantly as prices remain 10 percent lower than those of other competitors. However, its substitution potential is limited by its low quality standard, as compared to U.S. cotton, particularly for spinners who continue to shift to higher quality fine-count yarn stable cotton.

In MY2010/2011, raw cotton imports are forecast to accelerate by 7-8 percent in anticipation of a continued strong recovery of the textile industry due to a sustained economic growth. Spinners are expected to build up stocks as their beginning stocks are at minimum levels, as compared to normal inventory of 2-3 months. In addition, world prices will likely ease as larger bumper crops are expected in major exporting countries.

Despite being a huge cotton importer, Thailand exported cotton in the form of comber waste, a byproduct of spinning medium count yarn (#30's - #40's). Exports of raw cotton from comber waste doubled in MY2008/2009 to 8,000 bales and will remain unchanged in MY2010/2011.

4. Stocks

MY2009/2010 and MY2010/2011 raw cotton stocks will likely be at minimal levels due to a higher use as a speedy textile industry recovery takes place. Also, spinners are cautious to build up stocks in MY2009/2010 due to current record global prices, driven by tight supplies of major exporting countries. In addition, the acceleration of cotton imports in MY2010/2011 will be unable to add to stocks as a strong recovery will use up all available supplies.

5. Policy

Cotton farmers are not eligible for the new price insurance scheme which replaced the mortgage scheme in MY2009/2010. Also, transgenic plants are still banned.

6. Marketing

The manufacturing production index (MPI) of textile and textile products increased by 12 percent in January 2010 from the previous month, as compared to a reduction of 6.2 percent in CY2009. Some spinners and weavers reduced their production capacity by 20-30 percent due to cash-flow problems in CY2009. This resulted in textile product exports declining by 10.4 percent in CY2009, of which garment exports dropped significantly by 16.0 percent. Garments accounted for half of total textile exports.

Presently, the textile industry is running at full capacity to fulfill the orders in hand through the end of MY2009/10 as their customers are replenishing their inventories. Anticipated strong economic recovery in CY2010 – CY 2011 will drive up demand for cotton yarn and fabric in the domestic and export-oriented garment industries. The textile industry is expected to grow by 5.0 percent in CY 2010. In addition, exports of cotton yarn and fabric will likely recover in MY2009/2010 and MY2010/2011. However, locally-produced cotton yarn and fabric will face strong competition from relatively cheaper yarn and fabric from China as imports are duty free under the ASEAN-China Free Trade Agreement (FTA), effective January 2010, as compared to a 5-percent tariff in the past. Imports of Chinese yarn accounted for approximately 40 percent of total cotton yarn imports. Also, Chinese cotton fabric accounted for 80 percent of total cotton fabric imports. Chinese fabric is reportedly 10-20 percent cheaper than cotton fabric produced locally. In addition, domestic yarn market will be challenged by Vietnamese cotton yarn which is also duty free under ASEAN FTA, effective January 1, 2010.

Section 2: Statistics Tables

Table 1: Thailand’s Production, Supply and Demand

Cotton	2008			2009			2010		
Thailand	2008/2009			2009/2010			2010/2011		
Unit: 1,000 HA;	Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Jun 2010		
1,000 480-lb. Bales	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Planted	0	3	2	0	3	2			2
Area Harvested	8	3	2	5	3	2			2
Beginning Stocks	316	252	316	304	225	291			252
Production	15	5	3	10	5	4			4
Imports	1,602	1,800	1,605	1,800	1,900	1,670			1,800
MY Imports from U.S.	0	750	672	0	760	675			690
Total Supply	1,933	2,057	1,924	2,114	2,130	1,965			2,056
Exports	4	2	8	10	2	8			5
Use	1,600	1,800	1,600	1,775	1,900	1,680			1,770
Loss	25	30	25	25	30	25			25
Total Dom. Cons.	1,625	1,830	1,625	1,800	1,930	1,705			1,795
Ending Stocks	304	225	291	304	198	252			256
Total Distribution	1,933	2,057	1,924	2,114	2,130	1,965			2,056
Stock to Use %	19	12	18	17	10	15			14
Yield	408.	363.	327.	435.	363.	435.			435.

Table 2: Thailand's Imports of Raw Cotton (Marketing Year: August/July)

Unit: 480-lb bales

	MY2006	MY2007	MY2008	Aug. - Feb.		
				MY 2008	MY 2009	% change
United States	530,768	833,945	672,163	383,469	352,725	-8.0
Australia	337,534	198,653	203,358	118,316	223,204	88.7
Brazil	40,828	98,126	183,737	145,979	91,086	-37.6
Burkina Faso	132,109	135,289	105,889	64,389	37,021	-42.5
India	244,631	189,446	84,328	38,736	44,251	14.2
Zimbabwe	127,088	91,138	69,725	55,513	51,184	-7.8
Tanzania	15,209	51,179	47,051	30,518	39,859	30.6
Mali	121,413	85,307	41,645	23,518	29,581	25.8
Pakistan	19,954	16,604	27,547	19,166	92,652	383.4
Benin	23,380	32,417	18,534	11,132	9,631	-13.5
Mozambique	21,007	28,106	18,247	9,820	10,132	3.2
Mexico	28,308	10,487	19,756	5,593	832	-85.1
South Africa	13,411	9,112	12,487	11,082	12,576	13.5
Chad	18,725	19,552	12,563	8,745	1,844	-78.9
Cameroon	18,187	6,103	8,598	5,862	3,879	-33.8
Malawi	5,667	-	8,520	6,415	10,828	68.8
Other	207,005	123,932	70,752	45,125	46,234	2.5
World	**1,905,225**	**1,929,395**	**1,604,900**	**983,379**	**1,057,519**	**7.5**

Table 3: Thailand's Imports of Raw Cotton (Marketing Year: August/July)
Unit: Metric Ton

	MY2006	MY2007	MY2008	Aug. - Feb.		
				MY 2008	MY 2009	% change
United States	115,562	181,572	146,348	83,491	76,798	-8.0
Australia	73,490	43,252	44,276	25,761	48,597	88.7
Brazil	8,889	21,365	40,004	31,783	19,832	-37.6
Burkina Faso	28,764	29,456	23,055	14,019	8,060	-42.5
India	53,263	41,247	18,360	8,434	9,635	14.2
Zimbabwe	27,670	19,843	15,181	12,087	11,144	-7.8
Tanzania	3,311	11,143	10,244	6,645	8,678	30.6
Mali	26,435	18,574	9,067	5,120	6,441	25.8
Pakistan	4,345	3,615	5,998	4,173	20,173	383.4
Benin	5,090	7,058	4,035	2,424	2,097	-13.5
Mozambique	4,574	6,119	3,973	2,138	2,206	3.2
Mexico	6,163	2,283	4,301	1,218	181	-85.1
South Africa	2,920	1,984	2,719	2,413	2,738	13.5
Chad	4,077	4,257	2,735	1,904	401	-78.9
Cameroon	3,960	1,329	1,872	1,276	844	-33.8
Malawi	1,234	-	1,855	1,397	2,358	68.8
Other	45,071	26,983	15,405	9,825	10,066	2.5
World	**414,818**	**420,081**	**349,429**	**214,108**	**230,250**	**7.5**

Table 4: Thailan's Imports of Cotton (Calendar Year: Jan.-Dec.)
Unit: Metric Ton

	2007	2008	2009	% change
United States	145,916	183,811	138,788	-24.5
Australia	52,141	42,231	59,718	41.4
Brazil	13,194	32,741	30,673	-6.3
India	44,797	44,000	18,350	-58.3
Burkina Faso	28,186	31,830	17,159	-46.1
Pakistan	2,695	5,383	17,023	216.3
Zimbabwe	21,070	19,115	13,517	-29.3
Tanzania	5,757	11,364	10,474	-7.8
Mali	21,194	16,142	10,430	-35.4
Other	58,196	49,682	34,183	-31.2
World	**393,147**	**436,298**	**350,316**	**-19.7**

Table 5: Thailand's Exports of Raw Cotton (Marketing Year: Aug./Jul.)
Unit: Ton

	MY2006	MY2007	MY2008	Aug. - Feb.	
				MY2008	MY2009
China	-	0	1,438	0	1,398
Hong Kong	-	-	75	0	0
Algeria	-	1	10	10	0
Malaysia	-	68	203	116	0
Japan	118	68	0	0	0
Other	347	698	8	1	25
World	**465**	**834**	**1,734**	**127**	**1,424**

Table 6: Thailand's Exports of Raw Cotton (Marketing Year: Aug./Jul.)
Unit: 480-lb Bales

	MY2006	MY2007	MY2008	Aug. - Feb.		
				MY2008	**MY2009**	%change
China	-	0	6,605	-	6,423	0.0
Kong	-	-	345	-	-	0.0
Algeria	-	3	45	45	-	-100.0
Malaysia	-	311	932	533	-	-100.0
Japan	543	310	1	-	-	0.0
Other	1,595	3,205	37	3	117	3,489.6
World	2,138	3,830	7,965	581	6,540	1,024.7

Table 7: Thailand's Exports of Raw Cotton (Calendar Year)
Unit: Metric Ton

	2007	2008	2009	% change
China	0	-	2,836	-
Hong Kong	-	-	75	-
Algeria	-	4	6	44.8
Malaysia	13	142	115	-18.7
Other	833	54	26	-52.0
World	**846**	**200**	**3,059**	**1429.2**

Table 8: Status of Textile Industry in Thailand

	Calendar Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Number of Employment								
- Synthetic fiber	15,340	15,600	15,500	14,550	14,430	14,300	14,280	14,100
- Spinning	60,470	60,580	61,750	61,360	61,100	59,980	60,550	60,300
- Weaving	58,730	58,980	57,880	56,760	55,250	54,470	53,980	52,770
- Knitting	59,790	59,930	60,280	59,710	60,790	62,860	63,320	63,050
- Dyeing and Printing	46,750	46,930	47,200	46,560	46,770	46,850	46,630	46,200
- Clothing	840,460	840,850	841,520	837,680	825,650	824,500	818,530	812,800
TOTAL	1,081,540	1,082,870	1,084,130	1,076,620	1,063,990	1,062,960	1,057,290	1,049,220
Number of Textile Machinery								
- Spinning (No. of spindles)	3,586,834	3,597,114	3,670,334	3,644,642	3,863,600	3,858,790	3,879,750	3,875,600
- Weaving (No. of looms)	130,231	130,513	130,225	129,470	130,520	130,132	129,770	129,100
- Knitting (No. of machines)	112,019	112,315	113,082	112,354	115,430	121,355	122,394	123,620
- Clothing (No. of machines)	757,307	757,751	758,460	754,668	752,300	751,760	749,100	748,490

Source: Department of Industrial Promotion, Ministry of Industry

Table 9: Thailand's production and consumption of yarn

	Calendar Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Production (TMT)								
Cotton yarn	337.7	381.8	387.4	373.7	396.3	403.9	397.8	376.7
Synthetic yarn	550.5	594.6	590.5	641.1	616.6	603.6	565.1	587.1
Total production	888.2	976.4	977.9	1014.8	1012.9	1007.5	962.9	963.8
Consumption (TMT)								
Cotton yarn	323.7	356.9	352.7	340.9	354.2	369.8	349.3	331.6
Synthetic yarn	402.3	416.5	401.2	408.4	408.4	427.0	414.0	439.7
Total consumption	726.0	773.4	753.9	749.3	762.6	796.8	763.3	771.3

Source: Department of Industrial Promotion, Ministry of Industry

Table 10: Thailand's Exports of Cotton Yarn

Unit: Metric Ton

	2007	2008	2009	% change
China	9,313	6,821	9,458	38.7
Hong Kong	7,457	9,572	6,668	-30.3
Japan	2,815	4,000	2,510	-37.2
Malaysia	6,286	6,273	4,228	-32.6
United States	4,354	3,214	2,237	-30.4
Korea South	4,830	2,596	1,990	-23.3
Turkey	216	253	1,456	475.1
Portugal	3,023	1,138	1,568	37.8
Mauritius	583	485	1,001	106.5
Sri Lanka	90	30	1,010	3246.4
Italy	967	1,090	910	-16.5
Bangladesh	3,627	3,075	880	-71.4
Philippines	75	323	816	153.1
Indonesia	3,676	2,697	759	-71.9
Other	5,755	3,986	3,537	-11.3
World	**53,067**	**45,551**	**39,029**	**-14.3**

Table 11: Thailand's Imports of Cotton Yarn

Unit: Metric Ton

	2007	2008	2009	% change
China	4,664	4,970	3,744	-24.7
Pakistan	2,120	2,878	2,449	-14.9
India	1,147	1,589	907	-42.9
Hong Kong	438	669	625	-6.7
Vietnam	110	567	761	34.4
Egypt	0	0	176	-
Japan	49	84	63	-25.2
Korea South	104	125	82	-34.2
Taiwan	68	82	81	-1.3
Other	1,089	239	82	-65.8
World	**9,789**	**11,202**	**8,969**	-19.9

Table 12: Thailand's production and consumption of woven fabric

	Calendar Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Production (TMT)								
Cotton fabric	211.4	237.3	229.6	222.0	228.3	234.8	220.8	209.4
Synthetic fabric	262.7	276.9	261.1	265.9	263.2	271.0	261.7	227.6
Total production	474.1	514.2	490.7	487.9	491.5	505.8	482.5	437.0
Consumption (TMT)								
Cotton fabric	188.0	211.5	207	200.2	213.5	224.1	205.8	204.6
Synthetic fabric	238.2	248.4	231.2	232.3	233.3	249.2	238.3	264.1
Total consumption	426.2	464.1	438.2	432.5	446.8	473.3	444.1	468.7

Source : Deparment of Industrial Promotion, Ministry of Industry

Table 13: Thailand's Exports of Cotton Fabrics

Unit: Metric Ton

	2007	2008	2009	% change
Myanmar	3,572	4,381	5,594	27.7
Singapore	4,143	2,614	2,821	7.9
Bangladesh	3,805	3,695	4,224	14.3
Vietnam	1,098	2,092	2,780	32.9
Laos	2,072	2,473	2,100	-15.1
Netherlands	2,927	2,183	1,952	-10.6
China	550	498	1,760	253.1
Togo	742	1,704	1,742	2.2
Cambodia	2,200	2,324	1,544	-33.6
United States	3,125	2,822	2,018	-28.5
United Arab Emirates	1,421	840	947	12.8
Turkey	2,573	1,619	2,231	37.8
Nigeria	1,020	1,660	1,252	-24.6
Hong Kong	1,204	840	899	7.0
Sri Lanka	1,680	1,180	1,258	6.6
Germany	2,823	2,944	1,809	-38.5
Italy	2,505	2,137	1,499	-29.9
Japan	967	703	1,177	67.3
Philippines	710	707	795	12.5
Other	11,065	8,970	7,732	-13.8
World	**50,202**	**46,388**	**46,133**	**-0.5**

Table 14: Thailand's Imports of Cotton Fabrics

Unit: Metric Ton

	2007	2008	2009	% change
China	36,429	37,448	25,416	-32.1
Japan	2,170	2,599	1,741	-33.0
India	343	745	1,234	65.5
Indonesia	570	704	767	9.0
Taiwan	584	449	337	-24.9
Italy	270	239	126	-47.4
Hong Kong	1,092	916	426	-53.5
Pakistan	195	248	859	246.2
Turkey	152	191	92	-51.6
Germany	72	62	49	-20.2
France	217	85	34	-60.0
Korea South	397	317	120	-62.1
Portugal	9	7	14	88.1
Other	836	599	311	-48.1
World	**43,335**	**44,611**	**31,526**	**-29.3**

Table 15: Tariffs for Cotton and Textile Products

	Current calculated tariff for non-AFTA countries (% Ad Valorem)	Current tariff applied for AFTA countries under CFPT scheme[1/] (% Ad Valorem)	Tariff Schedule Commitment with WTO (% Ad Valorem)
Raw cotton	0	0	4.5
Cotton yarn	5	0	15.0
Cotton fabric	5	0	30.0
Chemical used in textile	5	0	30.0
Textile machanery	1	0	20.0

1/ CFPT = Common Effective Preferential Tariff, an agreed effective tariff, preferential to ASEAN countries, to be applied to goods originating from ASEAN Member States and which have been identified for inclusion in the CFPT Scheme.

Source: Thai Customs Department

End of Report